

Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 IO-11 ISO-00 STRE-00 SSO-00 NSCE-00

INRE-00 USIE-00 AF-06 ARA-06 EA-07 NEA-10 OIC-02

FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 EB-07

FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05

PA-01 AID-05 CIEP-01 SS-15 ITC-01 TRSE-00 PRS-01

SP-02 OMB-01 /129 W

----- 009432

O R 101845Z FEB 76

FM USDEL MTN GENEVA

TO SEC/SECSTATE WASHDC IMMEDIATE 1126

INFO USMISSION EC BRUSSELS

C O N F I D E N T I A L MTN GENEVA 0956

IMMEDIATE ACTION STR S/S-O NOTIFY HEFFERAN (395-3150)

E.O. 11652: N/A

TAGS: MTN ETRD EEC

SUBJECT: US/EC TROPICAL PRODUCT CONSULTATIONS

1. MTN DEL BELIEVES THAT US/EC BILATERAL ON TROPICAL PRODUCTS OFFER SCHEDULED THURSDAY, FEBURARY 12, MAY BE LAST EFFECTIVE OPPORTUNITY FOR US TO INFLUENCE COMMUNITY DECISION ON GSP OFFERS IN TROPICAL PRODUCTS (TP) GROUP AFFECTING PRODUCTS IN WHICH WE HAVE SIGNIFICANT COMMERCIAL INTERESTS. IN ADDITION, WE BELIEVE THAT EC OFFER ON TOBACCO HAS DIVERTED ATTENTION FROM OTHER PROSPECTIVE GSP OFFERS THAT COULD SIGNIFICANTLY AFFECT OUR COMMERCIAL INTERESTS. WE ARE CONCERNED ABOUT THE 40 GSP CONCESSIONS IN THE EC OFFER ON PRODUCTS FOR WHICH US IS LEADING OR SECOND NON-PREFERENTIAL SUPPLIER CITED IN USEC BRUSSELS 728 AND REQUESTED AN EVALUATION OF ITEMS WHICH, FACE VALUE, COULD BE
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ADVERSELY AFFECTED. MTN DEL NOT IN POSITION TO EVALUATE

THE ADVERSE AFFECT OF A MARGIN OF PREFERENCE TO DEVELOPING COUNTRIES ON THESE ITEMS, THOUGH WE ASSUME POTENTIAL ADVERSE IMPACT. THEREFORE REQUEST ADVICE TOMORROW (FEB 11) ON FOLLOWING ('74 TRADE FIGURES EXPRESSED BELOW BASED ON ROUGH CONCORDANCE TO BTN OF US '74 EXPORT FIGURES CONTAINED IN FT 410):

B T N	DESCRIPTION	US '74 EXPORTS
3.03AIII	CRABS AND CRAYFISH	\$3.7 MILLION
3.03BIV	FROZEN MOLLUSKS	NOT AVAILABLE
16.05B	PREPARED AND PRESERVED SHRIMP	\$7.2 MILLION
15.07DI	OTHER CRUDE VEGATABLE OILS	NOT AVAILABLE
17.04D	CONFECTIONERY SUGAR	\$800,000
20.06FI	MIXTURES OF FRUIT	\$6.3 MILLION
20.06AII	PINEAPPLES, PRESERVED	
	OR PREPARED	\$5.8 MILLION
20.07BII	GRAPEFRUIT JUICE	\$2 MILLION
20.07BII	PINEAPPLE JUICE	\$900,000

2. BASIC POLICY ISSUE THAT HAS TO BE CONTESTED IS HIJZEN STATEMENT THAT THE PURPOSE OF GSP WAS TO GIVE LDC EXPORTS AN ADVANTAGE VIS-A-VIS DC EXPORTS (USEC 473). IRRESPECTIVE OF VALIDITY OF THIS PHILOSOPHY IN RELATION TO GSP, IT IS CLEARLY NOT APPLICABLE TO THE MTN OR THE TP GROUP WHERE NEGOTIATIONS ARE TO BE CONDUCTED PER TOKYO DECLARATION, ON MFN BASIS. IN ADDITION, IT IS APPARENT FROM REVIEWING THE PROPOSED COMMUNITY OFFER LIST OF APPROX. 160 ITEMS, THAT COMMUNITY, IN ATTEMPTING TO MAKE ITS OFFER MORE ATTRACTIVE TO LDC'S, HAS INCLUDED SEVERAL PRODUCTS IN WHICH THE US HAS SIGNIFICANT TRADE INTEREST. SEVERAL OF THESE PRODUCTS HAVE NEVER BEEN NOR CAN BE CONSIDERED TROPICAL. ON AT LEAST 40 ITEMS THE US IS EITHER THAT FIRST OR SECOND SUPPLIER IN THE COMMUNITY MARKET. HALF OF THESE ITEMS ARE PRESENTLY NOT INCLUDED IN THE COMMUNITY'S GSP. IN EFFECT, THE COMMUNITY IS PLACING THE BURDEN OF ITS ATTRACTIVE OFFER ON THE US BY USING GSP TECHNIQUE. THE US, ON THE OTHER HAND, WHILE COVERING PRODUCTS NOT PREVIOUSLY CONSIDERED TROPICAL, IS DOING SO ON A NMFN BASIS.

3. WE ARE UNLIKELY TO CONVINCE EC TO SIMPLY ABANDON PRINCIPLE OF GSP IN TP EXERCISE BUT WE MIGHT TEMPT THEM TO CHANGE
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SOME OF THESE ITEMS TO MFN OFFERS BY (A) IDENTIFYING US MFN OFFERS WE COULD CONSIDER MAKING IN TP ON ITEMS WHERE TRADE BENEFITS WOULD FLOW TO EC AS WELL AS LDCS (E.G. POSSIBLY TSUS NO. 156.40, COCOA POSDER TO NETHERLANDS AND WEST GERMANY \$20.2 MILLION OF \$37.6 MILLION TOTAL IN 1974) PROVIDED THEY MAKE MFN RATHER THAN GSP OFFERS ON ITEMS OF INTEREST TO US OR (B) SUGGESTING THAT WE MIGHT GIVE THE COMMUNITY NEGOTIATING CREDIT IN OTHER GROUPS FOR MFN CONCESSIONS

WHICH THEY WOULD OFFER IN THE TP GROUP FOR WHICH WE WOULD
RECEIVE SOME BENEFIT. OBVIOUSLY, THIS WOULD BE RECIPROCAL
AND MFN CONCESSIONS WHICH WE MADE IN THE THE GROUP FROM WHICH
COMMUNITY BENEFITED WOULD ALSO BE CONSIDERED NEGOTIATING
CREDITS. THIS APPROACH MIGHT BE ATTRACTIVE TO EC IN LIGHT
OF INTEREST IN RECIPROCITY EXPRESSED BY DENT/SOAMES
IN JANUARY 22 BILATERAL.

4. FOREGOING POSITION WOULD BE IN ADDITION
TO STRONG REPRESENTATIONS ON TOBACCO. WALKER

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Margaret P. Grafeld
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